

Abstract: Transfer pricing between related parties and its issues

As the globalization of the world continues, and as the companies are merging into multinational enterprises, the number of transactions between related parties under circumstances that would not be concluded between unrelated parties is rising. The correct application of transfer pricing between related parties ensures that the transactions are concluded as it would have been between unrelated parties. More and more attention is paid to issue of transfer pricing, frequently in connection with tax planning and tax optimization, which is partly misleading. The tax consequences of transfer pricing are nonetheless substantial.

The purpose of this thesis is to analyse transfer pricing issues in the Czech Republic in the context of international rules and standards as set by international organizations, mainly Organization for Economic Cooperation and Development (OECD), United Nations (UN) and European Union (EU), primarily from the tax perspective.

The thesis is composed of 11 chapters. In first chapters the thesis describes the basics of transfer pricing, the concept of related parties, arm's length principle, transfer pricing methods and transfer pricing documentation. The next chapters are mainly focused on international transfer pricing standards and its implementation in the Czech Republic. Further, the thesis is focused on administrative practice in the field of advance pricing agreements, case law and its implication to transfer pricing in the Czech Republic. Towards the end, the thesis is oriented on comparison of Czech transfer pricing rules with the international standards and comparison with selected foreign states. The last chapter is trying to summarize the findings and recommend relevant changes to current Czech legislation in the respective areas of transfer pricing.

The thesis should bring a complex view on the issue of transfer pricing in the Czech Republic, mainly in connection with international transfer pricing standards. Conclusions are general and it should set the Czech rules in the international context and review the legislation in the Czech Republic and point out the most problematic areas.